DOCUMENT RESUME

ED 473 915 CE 084 619

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|---|---|
| AUTHOR | Verma, Nandita; Hendra, Richard |
| TITLE | Comparing Outcomes for Los Angeles County's HUD-Assisted and Unassisted CalWORKS Leavers. |
| INSTITUTION | Manpower Demonstration Research Corp., New York, NY. |
| SPONS AGENCY | Los Angeles County Dept. of Public Social Services, CA.; Department of Housing and Urban Development, Washington, DC.; Office of the Assistant Secretary for Planning and Evaluation (DHHS), Washington, DC. |
| PUB DATE | 2003-01-00 |
| NOTE | 56p.; Supplemental funding provided through the Project on Devolution and Urban Change by the Ford, Charles Stewart Mott, W.K. Kellogg, Robert Wood Johnson, John S. and James L. Knight, Joyce, Cleveland, George Gund, William Penn, James Irvine, California Wellness and Edna McConnell Clark Foundations and the Pew Charitable Trusts with interagency funds from the U.S. Department of Agriculture. For related CalWORKS documents, see CE 084 620-621. |
| CONTRACT | 98ASPE303A |
| AVAILABLE FROM | Manpower Demonstration Research Corporation, 16 East 34 Street, New York, New York 10016. Tel: 212-532-3200; Web site: http://www.mdrc.org. For full text: http://www.mdrc.org./Reports2002/ tanf_la/post_tanf_la.pdf. |
| PUB TYPE | Reports - Evaluative (142) |
| EDRS PRICE | EDRS Price MF01/PC03 Plus Postage. |
| DESCRIPTORS | Access to Health Care; Comparative Analysis; *Federal Programs; Federal State Relationship; Financial Problems; Housing; Hunger; Poverty; *Program Effectiveness; *Public Housing; Quality of Life; *Welfare Recipients; *Welfare Reform; Well Being |
| IDENTIFIERS | California (Los Angeles); Department of Housing and Urban Development; Food Security; Impact Studies; *Program Exit; Welfare to Work Programs |

ABSTRACT

The impact of supplemental assistance from the U.S. Department of Housing and Urban Development (HUD) on CalWORKs leavers was examined in a study of CalWORKs recipients in Los Angeles County, California, who stopped receiving welfare benefits in the third quarter of 1998. Two groups received federal housing assistance at the time of exit from welfare. The first group received housing assistance in the form of public housing or project-based assistance (project-based assistance group), whereas the second group (tenant-based assistance group) received tenant-based Section 8 vouchers and certificates. The third group (unassisted group) did not receive any housing assistance. Data were collected from welfare and wage administrative records and a survey that was completed by 321 individuals. Selected findings were as follows: (1) leavers with tenant-based assistance were somewhat more likely to have the most positive employment-related outcomes; (2) regardless of housing assistance status, most of those who left welfare in the third quarter of 1998 did not return to welfare during the follow-up year; and (3) in postexit interviews, assisted leavers were more likely than unassisted leavers to be living in poverty and report experiences of food insecurity and hunger, whereas unassisted leavers were more likely to indicate housing hardships such as excess rent burden and unmet medical

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needs. (Seventeen tables/text boxes are included. A survey response analysis is appended. The bibliography lists 28 references.) (MN)

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# Comparing Outcomes for Los Angeles County's HUD-Assisted and Unassisted CalWORKs Leavers

**Prepared for:**

**Los Angeles County Department of Public Social Services**
**and**
**U.S. Department of Housing and Urban Development,**
**U.S. Department of Health and Human Services**
**Office of the Assistant Secretary of Planning and Evaluation**

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January 2003

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CE064619

This research was funded by the U.S. Department of Housing and Urban Development and the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, under grant 98ASPE303A. The findings and conclusions presented in this report do not represent the official positions of any federal or state agency. Supplemental funding was provided through the Project on Devolution and Urban Change, which is funded by the Ford, Charles Stewart Mott, W. K. Kellogg, Robert Wood Johnson, John S. and James L. Knight, Joyce, Cleveland, George Gund, William Penn, James Irvine, California Wellness, and Edna McConnell Clark Foundations; the Pew Charitable Trusts; and the U.S. Department of Health and Human Services (including interagency funds from the U.S. Department of Agriculture).

Dissemination of MDRC publications is also supported by the following foundations and individuals who help finance MDRC's public policy outreach and expanding efforts to communicate the results and implications of our work to policymakers, practitioners, and others: the Ford, Ewing Marion Kauffman, Ambrose Monell, Alcoa, George Gund, Grable, Anheuser-Busch, New York Times Company, Heinz Family, and Union Carbide Foundations; and the Open Society Institute.

The findings and conclusions presented in this report do not represent the official positions of any federal or state agency or the funders of the Project on Devolution and Urban Change.

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## Acknowledgments

First and foremost, we are grateful to all the families who participated in this study and shared their experiences about life after welfare. This report could not have been completed without the full cooperation of the families whose lives are documented in this report.

Several others contributed to this report in many important ways. We owe special thanks to Mark Shroder, our project officer at the Department of Housing and Urban Development (HUD), who played a critical part in shaping the analysis and content for this report. We are also thankful to staff at HUD for providing us with the housing authority data for the study sample.

We are thankful to Los Angeles County Department of Public Social Services for providing MDRC an opportunity to conduct this study. The following site administrators and staff offered thoughtful guidance and feedback on drafts of this report: Steven J. Golightly, Glenn Jordan, Henry Felder, Eileen Kelly, Luther Evans, Althea Shirley, and Lorraine Sinelkoff. Elizabeth Lower-Basch at the U.S. Department of Health and Human Services also offered many valuable comments on the manuscript.

Finally, we are also very grateful to staff at MDRC for their contributions to this project. Barbara Goldman and Charles Michalopoulos provided thoughtful guidance from the inception of this study. David Navarro assisted with contracts, and negotiated data agreements for this study. Debra Romm and her team prepared the administrative records analysis files. Gilda Azurdia produced the tables.

The Authors

# Executive Summary

Unprecedented declines in welfare caseloads, since the passage of the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), have resulted in widespread concern about the circumstances of families going off the welfare rolls. State, local, and national research has been conducted to describe who leaves welfare, why they leave, and how families cope after going off welfare. Few studies, however, have looked at the relationship between federal housing assistance and post-exit well-being This report, one of two companion reports, provides Los Angeles County and the broader research community with unusually detailed data on the status and well-being of families going off welfare with, and without, housing assistance.

With a grant from the Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services (HHS), Los Angeles County Department of Public Social Services (DPSS) undertook a study of the county's pre- and post-CalWORKs leavers (henceforth referred to as the LA Post-TANF project). The findings for this study are released in the report, *Monitoring Outcomes For Los Angeles County's Pre- and Post-CalWORKs Leavers: How Are They Faring?* DPSS was awarded supplemental funding by the U.S Department of Housing and Urban Development (HUD) to collect additional data on HUD-assisted welfare leavers. The Manpower Demonstration Research Corporation (MDRC) conducted the research and prepared the reports under both grants.

This report examines three groups of CalWORKs recipients who stopped receiving welfare in quarter 3 of 1998. Two of the groups were receiving federal housing assistance at the time of exit from welfare. The group that was not receiving housing assistance at the time of exit is referred to as the "*unassisted*" group. The group that was receiving housing assistance in the form of public housing or project-based assistance is referred to as the "*project-based*" assistance group of leavers, and the group that was receiving tenant-based Section 8 vouchers and certificates is referred to as the "*tenant-based*" assistance group.

A total of 14,987 adults stopped receiving CalWORKs benefits for at least two consecutive months in the period of sample selection. According to the records maintained by HUD, nine percent of the leavers were receiving housing assistance in the quarter of exit: 28 percent were receiving project-based housing assistance, and 72 percent were receiving Section 8 tenant-based vouchers and certificates.

This study combines welfare and wage administrative records and survey data to examine the following questions:

- What are the demographic and pre-exit characteristics of HUD-assisted and unassisted leavers?
- How do assisted and unassisted leavers compare with respect to post-exit labor market outcomes (employment, earnings, and job characteristics)? How do the labor market outcomes of those receiving project-based housing assistance differ from those receiving Section 8 tenant-based assistance?

- To what extent do assisted and unassisted leavers return to public assistance or rely on other forms of government supports?
- Does the level of post-exit economic and material well-being vary for leavers with, and without, housing assistance?

## Findings in Brief

- **Assisted and unassisted leavers differed with respect to demographic characteristics, work-readiness, and work history.**

A comparison of the background characteristics of the assisted and unassisted groups reveals a pattern of differences. The assisted leavers were predominantly minority, and more so African American. They were older, and they were less likely to be living in households that included other adults. However, assisted leavers receiving tenant-based assistance were more likely to have attained a high school diploma: 62 percent of those receiving tenant-based assistance group, compared to 40 percent of the project-based leavers and 50 percent of the unassisted leavers.

Twenty-two percent of the unassisted leavers worked all four quarters before exit, compared to 27 percent of those in the assisted groups. Pre-exit quarterly earnings were the highest for the group receiving tenant-based assistance ($2,070), followed by the unassisted leavers ($1,957); median earnings were the lowest for those who were receiving project-based assistance ($ 1,886). It is possible that the higher earnings among the unassisted and the tenant-based assistance groups are related to their higher levels of education and the residential choice that these groups enjoy.

- **While a clear employment advantage was not evident for any one of the housing assistance groups, leavers with tenant-based assistance were somewhat more likely to have the most positive employment-related outcomes.**

Overall, post-exit employment rates were low for all three groups of leavers: in any given quarter of follow-up, close to half of the assisted and unassisted leavers were not working in a UI-reported job. Among those who worked, the leavers with project or tenant-based assistance were somewhat more likely to have worked each quarter. For example, 34 percent of the unassisted leavers worked all four quarters of follow-up compared to 38 and 39 percent of the assisted groups. Consistent with the higher employment rates, the group receiving tenant-based assistance had the highest post-exit quarterly earnings. Median earnings at the time of the follow-up survey interview were the highest for those in the tenant-based assistance group, compared to project-based and unassisted groups.

- **Regardless of housing assistance status, the majority of those who went off welfare in quarter 3 of 1998 did not return to welfare in the year of**

**follow-up. Assisted leavers with no recent work history were more likely to return to welfare.**

Overall, 31 percent of the unassisted leavers returned to welfare in the one-year of post-exit follow-up, compared to 35 percent of the project-based leavers and 36 percent of the tenant-based leavers. Close to one-fifth of all leavers returned to welfare in the first quarter after exit, and those who were receiving tenant-based assistance at the time of exit were likely to return at a somewhat higher rate. Prior work history appears to be related to who returned to welfare, and assisted leavers with no recent work history (i.e., had not worked in the four quarters prior to exit) were more likely to return to welfare, compared to their counterparts in the unassisted group. As discussed earlier, assisted leavers were less likely to be living in households that included other adults, and it's possible that a combination of their circumstances — their tenuous attachment to the labor force and their lack of alternate means of support — resulted in a higher return to welfare.

- **Post-exit well-being did vary by housing assistance status: assisted leavers, more so than unassisted leavers, were more likely to be living in poverty and to report experiences of food insecurity and hunger. Unassisted leavers, on the other hand, were more likely to indicate housing hardships such as excess rent burden and unmet medical needs.**

Around 41 percent of the unassisted leavers and the tenant-based assistance groups were residing in households where the average monthly income was under $1,000. Forty-eight percent of those receiving project-based assistance reported total household incomes under $1,000. Using household income to estimate poverty, the study finds that 63 percent of the families receiving project-based assistance at the time of exit were living in households with incomes below the poverty threshold. Fifty-five percent of the unassisted leavers and those receiving tenant-based assistance reported income below the poverty threshold. The poverty threshold for a family of three in 1999 was $13,880.

Reports of food insecurity and hunger were higher among the housing assistance groups. The assisted leavers were also more likely to have received food from a charitable organization in the month prior to the survey interview. Unassisted leavers were more likely to report hardships with unmet medical or dental needs and excessive rent burden (i.e., spending more than 30 percent of their income on rent). Assisted households were more likely to report about housing quality problems.

- **The mobility choice inherent in Section 8 housing does not necessarily place tenants in safer neighborhoods.**

First, respondents' self-rating of their current neighborhoods reveals that unassisted leavers were more likely to report that they were very or somewhat satisfied with the neighborhoods they lived in. Those living in project-based housing were the least likely to express satisfaction with their neighborhood, and those receiving tenant-based assistance fell in the middle. Second, there were clear differences across the three groups in terms of their concerns about safety and other neighborhood conditions. Assisted leavers were more likely to perceive a higher degree of

concern about problems (such as drugs, violence, gangs) than their unassisted counterparts. In principle, families with Section 8 assistance should be more likely to move out of very poor neighborhoods and improve their neighborhood quality because of the mobility choice inherent in the tenant-based assistance program; thus, it is expected that these families would be living in safer neighborhoods and feeling a higher degree of neighborhood safety. However, it is possible that the local housing market and the availability of housing options limit the kinds of neighborhoods open to households with Section 8 vouchers.

In conclusion, this study highlights some important similarities and differences among former welfare recipients exiting the rolls with and without federal housing assistance. To date, limited information is available on how receipt of housing assistance interacts with post-welfare outcomes, and the Los Angeles study provides some initial insights on key outcomes for groups in different housing statuses. Policymakers might want to pay special attention to the lower levels of employment and earnings among the populations receiving either of these two major transfer benefits: welfare and federal housing assistance.

Section 1

# Introduction

Welfare caseloads have always been dynamic, with families entering and leaving assistance programs each month. However, the unprecedented declines in welfare caseloads, since the passage of the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), have lead many to raise questions about the rapid drop in caseloads and what it means for states and families. National and local interest in this phenomenon of caseload declines has resulted in a number of studies of families going off the welfare rolls. Few studies, however, have focused on the post-welfare circumstances of families going off the rolls with and without federal housing assistance. This report focuses on exactly this issue.

With a grant from the Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services (HHS), Los Angeles County Department of Public Social Services (DPSS) undertook a study of the county's pre- and post-CalWORKs leavers (henceforth referred to as the LA Post-TANF project).[1] The findings for this study are released in the report, *Monitoring Outcomes For Los Angeles County's Pre- and Post-CalWORKs Leavers: How Are They Faring?* To further understand the interaction between housing assistance and post-welfare outcomes, DPSS was awarded supplemental funding by the U.S Department of Housing and Urban Development (HUD) to collect additional data on HUD-assisted welfare leavers.[2] The Manpower Demonstration Research Corporation (MDRC) conducted the research and prepared the reports under both grants. This report, one of two companion reports, provides Los Angeles County and the broader research community with unusually detailed data on the status and well-being of families going off welfare with, and without, housing assistance.

The U.S. Department of Housing and Urban Development (HUD) provides subsidized housing through one of three federally-funded programs: public housing, Section 8 tenant-based certificates and vouchers, and publicly assisted housing or project-based programs (see text box 1.1 for further description of these assistance categories). In all three programs, a household is eligible for assistance if its income and assets are below specified thresholds. Housing assistance is not an entitlement, and access is not guaranteed to all eligible families because of limited supply of housing slots. In Los Angeles County, government housing assistance primarily takes the form of Section 8 vouchers and certificates. In 1996, a total of 116,969 households received housing assistance in the Los Angeles- Long Beach Primary Metropolitan Statistical Area and, of

[1]The terms "welfare" and "CalWORKs" are used interchangeably throughout this report.

[2]In addition to Los Angeles County, two other ASPE grantees (San Mateo County and Massachusetts) received funding from HUD to conduct additional research on housing assisted and unassisted welfare leavers.

**Text Box 1.1**

## Federal Housing Assistance

In 1993, of the total 4.05 million households receiving housing assistance from HUD, 28 percent were in public housing, 42 percent were in publicly assisted projects, and 30 percent were assisted via tenant-based assistance (Kingsley, 1997). The following is a brief description of how the three forms of housing assistance vary.

**Public Housing Assistance:** Housing units owned and managed by local public housing authorities (PHA) are rented to tenants who pay about 30 percent of their adjusted income toward rent. When income goes down, rent payment go down as well. As per housing authority regulations, at least 40 percent of the housing units must be rented to tenants households with incomes at or below 30 percent of the area median income, which in the case of Los Angeles was $51,300 in 1999.

**Section 8 Vouchers and Certificates:** This type of housing assistance gives eligible households the flexibility to select their own rental units in the private housing market in a location of their choice, as long as the unit is approved by the PHA. It is generally believed that this form of assistance gives families the chance to find housing that is both affordable and more accessible to places of employment. Tenants renting housing units that exceed the PHA payment standard will have to pay the difference to the landlord. The new housing legislation requires at least 75 percent of available tenant-based Section 8 vouchers and certificates serve families with incomes below 30 percent of the area median income (Sard and Daskal, 1998).

**Project-based Section 8 Assistance**: As with public housing, these subsidies are tied to fixed units that are privately owned and operated by either for-profit or non-profit organizations (Sard and Daskal, 1998). HUD supplements what eligible tenants can afford to pay for rent.

the total, 10 percent were in public housing, 36 percent were in project-based housing, and another 54 percent were receiving Section 8 tenant-based assistance.[3]

This report examines three groups of CalWORKs recipients who stopped receiving welfare in quarter 3 of 1998. Consistent with recent studies on welfare leavers, CalWORKs recipients who *stopped receiving cash assistance, for at least 2 consecutive months* in quarter 3 of 1998, are classified as leavers. Two of the three groups in the study were receiving HUD-assistance at the time of exit from welfare. The group that did not receive HUD assistance at the time of exit is referred to as the "*unassisted*" group. The group that received housing assistance in the form of public housing or project-based assistance is referred to as the "*project-based*" assistance group of leavers, and the group that received tenant-based Section 8 vouchers and certificates is referred to as the "*tenant-based*" assistance group.

There are several good reasons for paying special attention to the outcomes for HUD-assisted and unassisted welfare leavers:

- First, *a substantial portion of families receiving federal housing assistance could be affected by polices and procedures embodied in the TANF program.* Because TANF is a radical departure from past welfare policy, most of the debate and research around welfare reform is being centered on this program. Very little consideration is being given to the effects of changes in the welfare system on housing, despite the considerable overlap between recipients of housing assistance and welfare. Nationally, approximately 25 percent of TANF recipients receive housing subsidies, but nearly 50 percent of households with children living in public housing receive welfare benefits.[4] Further, those receiving federal housing assistance account for a larger share of long-term welfare recipients.[5]

- Second, *housing opportunities and experiences of families leaving welfare with, and without, housing assistance could be affected by changes to household income.* Housing costs accounts for a significant portion of the household budget for low-income families. Families receiving housing assistance at the time of leaving welfare are in a somewhat safer position in that if they don't make the transition to work, they will still able to take care of their housing needs.[6] Unassisted leavers, especially those in need of housing assistance, could face a harder chance of receiving such assistance in the future: long waiting lists, combined with the shift in federal housing policy to deconcen-

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[3]Kingsley and Tatian, 1999.

[4]Newman and Schnare, 1993.

[5]For example, among the 1994 AFDC recipients, the median period of welfare receipt for those who received housing assistance was 57 months, compared to 37 month for those without federal housing assistance. See Newman, 1999.

[6]The housing assistance formula provides an important safety net for leavers receiving HUD-assistance, as they will be assured a place to live. Since rent is determined based on overall income, assisted households going off welfare and experiencing a decline in income would be eligible to receive a higher rent subsidy to adjust for the loss in income; households experiencing increases in income will qualify for higher rents

trate poverty and create mixed-income neighborhoods, might make it even harder for former recipients to find affordable housing. Thus, families leaving welfare without any form of housing assistance could be fairly vulnerable to any reductions in their income. Unassisted families leaving welfare — either because of voluntary exits, time limits, or sanctions — could face different struggles and hardships with respect to meeting their housing needs.

- Third, *there is a great unmet need for low-cost affordable housing.* Since housing assistance is not an entitlement, there is no guarantee that families in need of housing assistance will receive it. The federal government sets the standards of eligibility for housing assistance. Eligible families apply for housing assistance, and they are put on waiting list, where they can remain for years, until a unit becomes available.[7] Nationally, at least 5.3 million low-income renter households with the worst case housing needs received no housing assistance from the government, and close to half of this group was receiving some form of public assistance, either AFDC or SSI.[8] In Los Angeles County, there are 16 public housing authorities that are run by individual cities, and the Los Angeles County Housing Authority serves the remainder of the county. The average waiting period for housing assistance in the City of Los Angeles is 8 years, with the overall county average being about 5 years.[9]

- Fourth, *housing assistance is an essential income supplement for former recipients, particularly as they attempt to become economically self-sufficient.* The 1999 fair market rent (FMR) for a 2-bedroom apartment in Los Angeles was estimated at $766.[10] With the tight housing market in the county, many former recipients who do not receive housing assistance are faced with high rents and the difficulty of finding affordable housing. The National Low Income Housing Coalition calculated that a Los Angeles county wage earner working 40 hours a week in 1999 would need to earn $ 14.40 per hour to afford a two-bedroom apartment at the area's fair market rent.[11] Average wages for welfare leavers range from $7.52 to $8.74 an hour.[12]

- Fifth, *research suggests that government housing assistance is related to positive labor market outcomes for welfare recipients.* A California study, using GAIN data for four counties (Alameda, Los Angeles, San Bernardino, and San Joaquin), found a positive and significant relationship between housing assistance and hours worked. Participants receiving welfare benefits and Section 8 housing assistance worked more hours than AFDC families receiving

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[7]The supply of housing assistance is tied to the funds appropriated by Congress for this purpose and, in the past, only about one-quarter of all eligibles actually received housing assistance.

[8]U.S. Department of Housing and Urban Development, (1998). HUD defines "very low-income" households as those with income below 50 percent of the area median family income, adjusted for family size and other factors.

[9]The average wait period among the 16 PHA's varied from 2 to 10 years (Painter, 1997).

[10]The FMR reflects rents at the 40th percentile of the LA rental housing market. A significant portion of all the rents in Los Angeles exceeds the highest rent that HUD is willing to pay.

[11]See NLHIC: Out of Reach, 1999.

[12]Acs and Loprest (2001). Initial Synthesis Report of the Findings from ASPE's "Leavers" Grants.

no or other forms of housing assistance.[13] MDRC's evaluation of the Minnesota Family Investment Program (MFIP) found that employment and earnings gains were concentrated among residents of public and subsidized housing than among participants who did not receive housing assistance.[14] Comparable findings emerged from the JOBS evaluation in Atlanta and Columbus: Employment and earnings gains were larger among recipients in public or subsidized housing than among recipients in unsubsidized private housing.[15]

The link between housing assistance and employment outcomes is believed to operate in a number of ways. Some observers believe that housing assistance helps to stabilize the lives of low-income families by improving their ability to keep jobs, by freeing up resources (rent payments) that can be used for other work-related expenses such as child care and transportation.[16] The Section 8 form of assistance even allows families to use their subsidies to move to better quality housing, and to experience lower rent burden than similar, unassisted households. The mobility choice inherent in tenant-based assistance also provides tenants the opportunity to escape living in highly impoverished neighborhoods and increases their access to employment opportunity.[17] Others, however, argue that policies and rules governing federal housing assistance tend to suppress tenants' work activity. Traditionally, recipients of housing assistance have paid 30 percent of their income (after certain adjustments) on rent. Thus, as income goes up, so does rent.[18] This direct penalty on additional income is believed to deter residents from working, or finding better or higher paying jobs.[19]

The data gathered for the Los Angeles county assisted housing study provide a unique opportunity to explore a range of questions about the outcomes and circumstances of families going off welfare with and without housing assistance. The section that follows will describe the methods and the scope of this study.

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[13]Ong (1998). These findings held true even after controlling for observed differences in personal characteristics.

[14]Miller (1998).

[15]Riccio and Orenstein, (2000).

[16]Sard, (2000a).

[17]Those receiving tenant-based assistance are also less likely than public housing residents to be clustered in highly impoverished neighborhoods. National analysis has found that 15 percent of certificate and vouchers recipients live in high-poverty neighborhoods (exceed 30 percent poverty), compared to 54 percent of public housing residents (Newman and Schnare, 1997).

[18]Changes in the federal rent rules for public housing under the 1998 housing law includes several provisions that sever the tie between earned income and rent. See Sard, 2000b; Devine, Rubin, and Gray, 1999 for details.

[19]Families seeking housing assistance could be put on long waiting lists, which could also deter them from working, as they must maintain eligibility while waiting for this subsidy (Painter, 1997).

## Scope of the Assisted Housing Study

This study builds on the Los Angeles Post-TANF project by comparing post-exit outcomes for CalWORKs recipients who went off welfare with, and without, HUD housing assistance. As noted in the introduction, the welfare leavers identified for this study were grouped into one of three categories, based on their housing assistance status in the quarter of exit (quarter 3, 1998), the period when they stopped receiving cash assistance. The three groups analyzed are (a) the unassisted leavers, or those who were not receiving any HUD assistance (b) those receiving tenant-based assistance (such as Section 8 vouchers and certificates) and (c) those receiving project-based (this includes pubic housing and project-based section 8).

The key questions addressed in this report are:

- What are the demographic and pre-exit characteristics of HUD-assisted and unassisted leavers?
- How do assisted and unassisted leavers compare with respect to post-exit labor market outcomes (employment, earnings, and job characteristics)? How do the labor market outcomes of those receiving project-based housing assistance differ from those receiving Section 8 tenant-based assistance?
- To what extent do assisted and unassisted leavers return to public assistance or rely on other forms of government supports?
- Does the level of post-exit economic and material well-being vary for leavers with, and without, housing assistance?

### Definition of Leavers

Consistent with recent studies on welfare leavers, the sample for this study consists of CalWORKs single parent cases who *stopped receiving cash assistance, for at least 2 consecutive months* in quarter 3 of 1998.[20] A total of 14,987 adults stopped receiving CalWORKs benefits for at least two consecutive months in the period of sample selection: as per HUD's records, nine percent of this group was receiving federal housing assistance in the quarter of exit. Among those with housing assistance, 28 percent were receiving project-based housing assistance and 72 percent were receiving Section 8 tenant-based vouchers and certificates.

### Data

Two types of data are used in this report: (1) longitudinal administrative records data and (2) cross-sectional follow-up survey data. Using administrative records, adults in the three housing categories were followed for 4 quarters subsequent to the quarter of exit to determine employment, earnings, and the use of public assistance and other government support programs. The follow-up survey was used to supplement the administrative records analysis and provide detailed information on sample members' income, income sources, and post-exit material well-being.

[20]See Verma and Hendra (2001) for details on sample definition.

**Administrative Records.** The California Medi-Cal Eligibility Data System (MEDS) files are the primary data source used to identify and track assisted and unassisted leavers.[21] The files were used to obtain a small set of demographic information and pre- and post-exit Medi-Cal (California's Medicaid program) eligibility. Food Stamp receipt was tracked using program payment data obtained from the county.

Employment information for each adult leaver was obtained from the California Employment Development Department (EDD) for the four quarters pre- and post welfare exit. EDD maintains statewide records of employment and earnings under its Unemployment Insurance system and provides reasonably complete information of employment and earnings within the state. Almost all employers in California are covered by this program and report the employment and earnings of their workers to the State. Workers who are self-employed, employed by the federal government, or work "off the books" are not in this database.

To determine HUD assistance status for the sample, MDRC supplied HUD with identifying information on the adults identified as leavers. HUD linked the sample information to their Multifamily Tenant Characteristics System (MTCS) and Tenant Rental Assistance Certification System (TRACS) databases to identify housing assistance status in the period closest to the quarter of exit. HUD assigned a flag for all cases that matched against either of their two databases. Nine percent of the quarter 3 1998 leavers were identified as having received either project-based assistance or Section 8 vouchers in the period of exit.

**Assisted Housing Follow-up Survey.** A subcontractor to MDRC administered a 35-minute interview to a random sample of 321 leavers who were receiving HUD housing assistance at the point of welfare exit. The survey interviews were administered primarily by telephone, and in-person interviews were attempted for those who could not be reached by phone. The sample members were contacted between 13 and 22 months after exit, for a response rate of 67 percent.[22] As discussed further in Appendix A, comparison of survey respondents to non-respondents reveals that Hispanics and people with somewhat lower reliance on welfare were more likely to respond to the survey. Although there is mild response bias between respondents and nonrespondents, the overall bias is not statistically significant. However, because of the small sample size, combined with the lower response rate, readers are urged to exercise caution when generalizing the survey-based results to the full universe of assisted leavers.

Throughout this report, outcomes for the HUD-assisted leavers are compared to outcomes for the non-assisted leavers. The Los Angeles Post-TANF survey, which was fielded to a random sample of quarter 3, 1998 leavers, is the source for information on the unassisted leavers. Combining sample from the assisted housing and the Post-TANF surveys results in a total of 456 respondents, who are then classified into the 3 comparison groups. Close to 13 percent of the

[21]The statewide MEDS files, obtained from the California Department of Social Services, are produced from data uploaded to the state from each of the counties. The annual MEDS file provides the case number as of December or January of the year. Given the high overlap between Medi-Cal eligibility and receipt of cash assistance, this source was deemed appropriate to identify welfare leavers and to track benefits and program usage after exit.

[22]Fifty percent of the interviews were completed by the seventeenth month after exit.

sample in the Los Angeles Post-TANF survey was receiving housing assistance at the time of welfare exit; combining these two surveys enables this study to compare the experiences and outcomes for assisted and unassisted leavers.

### Contents of the Report

The findings from this study are reported in five sections. Each of the sections following the introduction focuses on a set of questions that are central to this. Section 2 examines selected background characteristics of the three groups of leavers. Section 3 describes post-exit labor market experiences and job characteristics of the assisted and unassisted leavers. Section 4 examines welfare recidivism and the extent to which these groups of leavers relied on other forms of government supports such as Food Stamps and Medi-Cal in the year following exit. Finally, Section 5 examines the income situation, material well-being, and neighborhood experiences of assisted and unassisted leavers.

Section 2

# Background Characteristics of CalWORKs Recipients Leaving Welfare With and Without Housing Assistance

This section presents selected demographic and other background characteristics for the quarter 3 1998 assisted and unassisted leavers. Descriptions of age, race, pre-exit work and welfare history were obtained from administrative records data. Information on education and household composition was obtained from the follow-up surveys. Both sources are used to examine group differences in background characteristics.

Table 2.1 presents background characteristics data obtained from the administrative records. First, looking at age at the time of exit, HUD-assisted leavers appear to be slightly older than unassisted leavers. On average, those receiving project-based assistance were about 34 year old, compared to the average age of 36 years for the tenant-based group. A female who is 32 years old on average headed the unassisted leavers' household. While 20 percent of the unassisted group was over the age of 40 at the time of exit, people in this age group accounted for close to 30 percent of the assisted leavers.

The data show fairly large differences in the racial and ethnic makeup of assisted and unassisted leavers. HUD-assisted leavers were predominantly minority. Among those who received project-based assistance, 51 percent were African American, and another 41 percent were Hispanic; Whites accounted for about 7 percent of this group. Similarly, among those receiving tenant-based assistance, 63 percent were African American, and 24 percent were Hispanic; Whites and people of other race/ethnic backgrounds accounted for the remaining 13 percent of this group. The ethnic/racial composition of the project-based population is known to deviate from that of the general welfare population, with a greater proportion of African Americans living in public housing. However, it is somewhat puzzling that the composition of the tenant-based population should deviate so markedly from the general population. Nationally, African Americans account for 54 percent of the total in public housing, and about 34 percent in tenant-based housing.[23]

Table 2.1 also presents prior work and welfare histories for the assisted and unassisted leavers. First, looking at welfare receipt in the year prior to exit, it appears that those who were receiving housing assistance were more likely, on average, to have been on welfare for almost the full year before going off the rolls. Although a 12-month window of welfare receipt is not adequate to describe welfare dependency, these findings suggest that assisted leavers were more likely to have longer welfare spells than unassisted leavers. This pattern of findings is consistent with other research that has looked at welfare receipt over longer periods of time. Nationally, among welfare recipients in 1994, the median cumulative welfare receipt for those who were also receiving HUD assistance was 57 months; for those who were not receiving HUD assistance, the comparable welfare receipt was 37 months.[24]

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[23]Kingsley, 1997.

[24]Newman and Harkness, 1999.

**Table 2.1**

**Selected Background Characteristics of Quarter 3 1998 CalWORKs Leavers, by Housing Assistance Status**

**Los Angeles Count**

| Outcome | Unassisted | Project-based Assistance | Tenant-based Assistance |
|---|---|---|---|
| **Age in month of exit** | | | |
| Less than 18 | 0.3 | 0.2 | 0.3 |
| 18 – 19 | 5.6 | 5.0 | 2.9 |
| 20 – 24 | 22.2 | 15.7 | 6.6 |
| 25 – 29 | 19.6 | 18.0 | 16.6 |
| 30 – 34 | 16.8 | 14.2 | 21.6 |
| 35 – 39 | 15.3 | 17.7 | 23.1 |
| 40 and ove | 20.2 | 29.2 | 28.9 |
| Mean age: | 32.0 | 34.3 | 35.8 |
| Standard deviation: | 9.4 | 10.0 | 8.8 |
| **Ethnicity (%)** | | | |
| White, non-Hispanic | 18.2 | 7.2 | 9.8 |
| African American | 27.7 | 50.9 | 63.2 |
| Hispanic | 49.3 | 40.6 | 23.6 |
| Asian, Native American, Othe | 4.9 | 1.2 | 3.4 |
| **Months on cash assistance in the year prior to exit (%)** | 0.3 | 0.2 | 0.4 |
| 1-4 months of prior welfare receipt | 7.1 | 6.2 | 3.2 |
| 5-8 months of prior welfare receipt | 13.1 | 9.7 | 8.7 |
| 9-12 months of prior welfare receipt | 79.4 | 83.8 | 87.7 |
| Mean num of months on: | 10.3 | 10.6 | 10.9 |
| Standard deviation: | 2.9 | 2.8 | 2.3 |
| **Employment 4 quarters prior to exit (%)** | | | |
| Not employed | 44.3 | 41.6 | 43.3 |
| Employed 1 quarte | 12.4 | 10.2 | 10.3 |
| Employed 2 quarters | 10.8 | 10.2 | 8.7 |
| Employed 3 quarters | 10.4 | 10.2 | 10.6 |
| Employed 4 quarters | 22.1 | 27.7 | 27.0 |
| Median earning per quarter ($) | 1,957 | 1,886 | 2,070 |
| Number of Adult Leavers | 13,579 | 401 | 1,007 |

SOURCE: Calculations from California MEDS files, Employment Development Department Unemployed Insurance records, HUD's MTCS and TRACS data.

Surprisingly, there were few notable differences across groups with respect to employment in the four quarters leading up to exit from cash assistance.[25] Forty-four percent of the unassisted leavers did not work in the year before leaving welfare, compared to approximately 42 percent of the HUD-assisted leavers. Comparing the two HUD-assisted groups of leavers with the unassisted leavers on employment stability in the four quarters prior to exit reveals that assisted leavers were somewhat more likely to have worked all four quarters prior to exit: 27 percent of the assisted leavers worked all four pre-exit quarters compared to 22 percent of the unassisted leavers. The higher rates of pre-exit employment among the Section 8 tenants (compared to those living in public housing) could be related to their use of vouchers to find residence in neighborhoods with better resources and access to employment.

Although less variation was noted in the quarterly employment rates of assisted and unassisted leavers, these groups do differ with respect to pre-exit earnings. Leavers receiving tenant-based assistance had somewhat higher earnings. Individuals in the project-based assistance group had the lowest quarterly earnings. The higher earnings among the tenant-based assistance group could be related to the higher levels of education in this group. Information on educational attainment was obtained from the survey data, and these findings are presented along with other survey-based measures in Text box 2.1. As shown, sixty-two percent of those receiving tenant-based assistance had attained a high school diploma, compared to 40 percent of the project-based leavers and 50 percent of the unassisted leavers.

Assisted and unassisted leavers differed with respect to at least one other important background characteristics: household composition. At the time of the follow-up survey, respondents were asked several questions about household structure, marital status, and composition. These survey data were used to create several measures of household composition. Text box 2.1 presents this information. First, as shown, unassisted leavers were likely to be part of a larger household: on the average, the household size for the assisted leavers was 3.6, compared to 4.1 for the unassisted leavers. The somewhat bigger household size for unassisted leavers is partly because they were also more likely to be living in a household that included a spouse or other adult.[26] Sixty-four percent of the unassisted leavers reported that they were living with a spouse or other adult, compared to 47 percent of the project-based group and 42 percent of the tenant-based group.[27]

In summary, the comparisons examined in this section point to some differences between the three analysis groups. HUD-assisted leavers were predominantly minority, and more so African American. They were older, and they were less likely to be living with other adults. They also seem to be particularly vulnerable to welfare reform in that they had slightly longer welfare receipt than the unassisted group. However, a significant number in each of the groups was out of employment for at least a year, raising concerns about how all three groups will fare after they go off welfare.

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[25]Using unemployment insurance (UI) data to measure employment will miss people who are working out of state or those working in the informal economy.

[26]The data on marital status indicate that the unassisted leavers are also much more likely to be married: 12 percent of unassisted were married (and living with spouse) compared to 6 and 3 percent of tenant and project based respectively. Furthermore, among those living with other adults, 17.8 percent of unassisted were married, compared to 13.7 percent and 2.9 percent among the tenant and project based, respectively.

[27]The finding that Los Angeles HUD-assisted leavers are less likely to be living with other adults is consistent with both the Massachusetts and the San Mateo reports and is worth substantial emphasis.

**Text Box 2.1**

## Educational Status and Household Composition

| | Unassisted | Project Based Assistance | Tenant Based Assistance |
|---|---|---|---|
| **Educational Status** | | | |
| Less than High School | 42.4 | 52.7 | 33.7 |
| GED | 8.1 | 6.7 | 5.8 |
| HS Graduate | 44.7 | 32.4 | 50.6 |
| Some College | 2.38 | 5.4 | 6.4 |
| Bachelors Degree | 1.9 | 2.7 | 2.9 |
| Graduate Degree | 0.5 | 0.0 | 0.6 |
| **Household Composition** | | | |
| Household size, including respondent | 4.1 | 3.6 | 3.6 |
| Number of adults living with respondeht | 1.1 | 0.7 | 0.6 |
| Number of children less than 18 years Living with respondent | 2.0 | 1.9 | 2.0 |
| Respondent lives alone | 3.3 | 1.4 | 5.2 |
| Respondent lives with adults only | 8.1 | 9.5 | 9.3 |
| Respondent lives with children only | 32.4 | 51.4 | 52.3 |
| Respondent lives with children and spouse | 19.0 | 6.8 | 5.8 |
| Lives with adults and children, ....but not with spouse | 37.1 | 31.1 | 27.3 |

Section 3

# Post-Exit Employment, Earnings, and Job Characteristics of Unassisted and Assisted CalWORKs Leavers.

## Employment and Earnings

State and local welfare leavers' studies are showing that large numbers of welfare leavers are working in the year after exiting welfare. These same studies are also noting that former recipients tend to cycle in and out of jobs and that employment stability is relatively low among those who work after leaving welfare. Further, among those who do work, average hourly wages range between $7.00 and $8.00, leaving families with income close to the poverty line.[28] The literature on housing assistance and work hypothesizes that assisted leavers receiving project-based housing will have less positive employment outcomes and be more likely to return to welfare than those in private housing because public housing rent rules impose important financial disincentives to work and because many public housing residents are isolated from labor markets and social supports for work. Further, although the two groups receiving housing assistance face some of the same disincentives to work, residents of section 8 tenant-based housing may be less isolated than those in public housing and may have more positive experiences in the labor market. This section explores some of the above hypotheses for a sample of welfare leavers and examines a range of indicators of post-exit economic outcomes for the assisted and unassisted leavers in this study.

Employment for the assisted and unassisted leavers was determined from the California unemployment insurance wage records filed by employers with the State. Official wage records typically miss some types of employment performed by welfare leavers and, at best, provide reasonable lower bound estimates on employment. For example, leavers who move out-of-state and are employed will not show up in the state's UI system. Further, some types of employment, such as self-employment, federal jobs, and some jobs in agriculture, will not be captured as well. Finally, people being paid in cash will not show up as having any earnings in the UI wage system. The latter is typically confirmed by surveys, which find higher employment rates than those reported in UI records. Sample members considered employed if they have at least $100 in earnings in the quarter.[29]

Table 3.1 begins with the first full quarter in which the leavers could have been off cash assistance and displays employment rates for the four quarters after exit. Employment rates were slightly higher for the assisted leavers than the unassisted leavers in all four quarters. In the first quarter after exit, 47 percent of the unassisted leavers were employed, compared to 49 percent of the project-based assistance group and 52 percent of the tenant-based assistance group. By the

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[28]Loprest and Acs, 2001.

[29]Median earnings are reported instead of means because there were a number of cases with very high earnings. Medians are not affected by possibly erroneous extreme values.

**Table 3.1**

**Post-Exit Employment Experience for Quarter 3 1998 CalWORKs Leavers, by Housing Assistance Status**

**Los Angeles Count**

| Outcome | Unassisted | Project-based Assistance | Tenant-based Assistance |
|---|---|---|---|
| **Employment (%)** | | | |
| 1 quarter after leaving welfare | 47.3 | 48.9 | 52.4 |
| 2 quarters after leaving welfare | 45.7 | 49.4 | 51.4 |
| 3 quarters after leaving welfare | 46.3 | 50.1 | 50.0 |
| 4 quarters after leaving welfare | 46.4 | 48.9 | 50.3 |
| **Quarters worked after exit (%)** | | | |
| 0 quarters | 41.1 | 41.4 | 38.2 |
| 1 quarter after leaving welfare | 8.6 | 6.2 | 6.7 |
| 2 quarters after leaving welfare | 7.7 | 3.7 | 7.0 |
| 3 quarters after leaving welfare | 8.9 | 11.0 | 8.9 |
| 4 quarters after leaving welfare | 33.7 | 37.7 | 39.2 |
| Number of Adult Leavers | 13,579 | 401 | 1,007 |

SOURCE: Calculations from California Employment Development Department Unemployed Insurance records, HUD's MTCS and TRACS data.

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fourth quarter after exit, the pattern of employment remained the same across the three groups of leavers. Of equal importance is to note that the employment levels within each of these groups did not change much over the four quarters of follow-up. While employment rates dropped slightly between the first and fourth quarter of exit for the unassisted and the tenant-based assistance group, the rate was the same for the project-based assistance group during those quarters.

It is not uncommon for former recipients to cycle on and off employment. This study looked at employment stability in the four quarters of follow-up. The proportion of leavers who worked one to four or no quarters in the one-year of follow-up is shown in Table 3.1. Forty-one percent of the unassisted and the project-based assistance leavers did not work in any UI-based employment in the follow-up period, compared to 38 percent of the tenant-based assistance group. This means that approximately 60 percent of the leavers worked at least one or more quarter after exit, with a somewhat higher proportion of the tenant-based group being attached to the formal labor force. The fact that the share of leavers, regardless of housing assistance status, who worked in the follow-up period is higher than the share of leavers who worked all four quarters of follow-up suggests that the leavers experienced a fair amount of unemployment and work instability after leaving welfare. Although over half the leavers in all three groups worked at least one quarter after exit, a smaller portion of those who worked stayed employed for a full-year after exit. Post-exit employment stability was 4 to 5 percentage points higher for assisted leavers: about 38 percent of the project-based leavers and 39 percent of the tenant-based group worked all four quarters post-exit, compared to 34 percent of the unassisted leavers.

The median quarterly earnings for those who worked are presented in Table 3.2. In the first quarter after exit, the median earnings for employed unassisted leavers was $3,277, about $211 lower than the median earnings for the project-based group and $101 lower than the earnings of those receiving tenant-based group. By the fourth quarter of follow-up, median quarterly income increased slightly for the unassisted group and those receiving tenant-based assistance; median earnings declined by $209 for the group receiving project-based assistance.

Table 3.2 also shows the proportion of employed leavers who achieved various earnings ranges. The group earning more than $4,000 is of particular interest because they have a good chance of maintaining a family above the poverty line solely on their own earnings. While the percent above this level varies by quarter, and by group, slightly over one-third of the people in each one of the three groups were able to achieve earnings over $ 4,000 in the four quarters of follow-up; a higher proportion of leavers with tenant-based assistance fell in this group.

Table 3.3 presents information on the relationship between the pre-exit work experience and post-exit employment outcomes. Five subgroups were defined based on the number of quarters worked in the year prior to exit, ranging from those who did not work in the year prior to exit to those who worked all four quarters after exit. The outcomes examined in the table for the employment subgroups include: The percentage of leavers employed in the first quarter after exit, median quarterly earnings in the first quarter, and the percent of women who were employed all four quarters after exit.

**Table 3.2**

**Post-Exit Earnings and Earnings Growth for Employed Quarter 3 1998 CalWORKs Leavers, by Housing Assistance Status**

**Los Angeles County**

| Outcome | Unassisted | Project-based Assistance | Tenant-based Assistance |
|---|---|---|---|
| **Median quarterly earnings ($** | | | |
| 1 quarter after leaving welfare | 3,277 | 3,488 | 3,378 |
| 2 quarters after leaving welfare | 3,045 | 2,998 | 3,138 |
| 3 quarters after leaving welfare | 3,286 | 3,313 | 3,615 |
| 4 quarters after leaving welfare | 3,305 | 3,279 | 3,440 |
| **Quarterly earning ranges (1998 dollars** | | | |
| **1 quarter after leaving welfare (%** | | | |
| $100 – $1,000 | 14.9 | 11.2 | 13.1 |
| $1,000 – $1,999 | 14.4 | 13.8 | 14.4 |
| $2,000 – $2,999 | 15.9 | 16.8 | 16.7 |
| $3,000 – 3,999 | 17.5 | 19.9 | 15.5 |
| >= $4,000 | 37.4 | 38.3 | 40.3 |
| **2 quarters after leaving welfare (%** | | | |
| $100 – $1,000 | 15.0 | 12.6 | 13.5 |
| $1,000 – $1,999 | 15.6 | 18.2 | 16.2 |
| $2,000 – $2,999 | 18.3 | 19.2 | 16.4 |
| $3,000 – 3,999 | 17.9 | 16.7 | 18.9 |
| >= $4,000 | 33.1 | 33.3 | 34.9 |
| **3 quarters after leaving welfare (%** | | | |
| $100 – $1,000 | 13.7 | 11.4 | 11.5 |
| $1,000 – $1,999 | 14.6 | 15.9 | 13.5 |
| $2,000 – $2,999 | 15.9 | 16.4 | 17.7 |
| $3,000 – 3,999 | 17.9 | 18.4 | 12.5 |
| >= $4,000 | 37.8 | 37.8 | 44.8 |
| **4 quarters after leaving welfare (%** | | | |
| $100 – $1,000 | 14.2 | 10.7 | 10.7 |
| $1,000 – $1,999 | 14.5 | 15.8 | 14.8 |
| $2,000 – $2,999 | 16.0 | 19.4 | 16.0 |
| $3,000 – 3,999 | 16.6 | 15.8 | 16.6 |
| >= $4,000 | 38.8 | 38.3 | 42.0 |
| Number of Adult Leavers | 13,579 | 401 | 1,007 |

SOURCE: Calculations from California Employment Development Department Unemployed Insurance records, HUD's MTCS and TRACS data.

NOTE: Median earnings are presented for those who were employed.

**Table 3.3**

**Post-Exit Employment Outcomes for Quarter 3 1998 CalWORKs Leavers, by Work History and Housing Assistance Status**

**Los Angeles County**

| Outcome | Unassiste | Project-base Assistance | Tenant-base Assistance |
|---|---|---|---|
| **Previous work experience subgroups** | | | |
| **Employed in 1st quarter after exit (%)** | | | |
| No work in previous 4 quarters | 14.4 | 13.8 | 17.2 |
| Work in 1 previous quarte | 52.0 | 39.0 | 65.4 |
| Work in 2 previous quarters | 65.8 | 58.5 | 64.8 |
| Work in 3 previous quarters | 74.3 | 78.0 | 75.7 |
| Work in 4 previous quarters | 88.6 | 90.8 | 90.9 |
| **Employed all 4 quarters after exit (%)** | | | |
| No work in previous 4 quarters | 7.5 | 6.0 | 8.0 |
| Work in 1 previous quarte | 32.2 | 26.8 | 43.3 |
| Work in 2 previous quarters | 43.7 | 43.9 | 48.9 |
| Work in 3 previous quarters | 54.8 | 70.7 | 54.2 |
| Work in 4 previous quarters | 72.5 | 74.8 | 78.7 |
| **Median earnings 1st quarter after exi** | | | |
| No work in previous 4 quarters | 1,619 | 1,357 | 1,381 |
| Work in 1 previous quarte | 2,806 | 3,795 | 2,534 |
| Work in 2 previous quarters | 3,175 | 3,041 | 3,773 |
| Work in 3 previous quarters | 3,369 | 3,214 | 3,255 |
| Work in 4 previous quarters | 3,829 | 3,871 | 4,039 |
| Number of Adult Leavers | 13,579 | 401 | 1,007 |

SOURCE: Calculations from California Employment Development Department Unemployed Insurance records, HUD's MTCS and TRACS data.

Regardless of housing assistance status, working while on welfare appears to be positively associated with the three employment outcomes discussed above. It can be seen from Table 3.3, for example, that employment rates are higher in the first quarter after exit for leavers who worked more quarters before leaving cash assistance. Employment rates improved somewhat for the unassisted and the tenant-based assistance groups with shorter pre-exit work histories. An examination of the proportion of each sub-group that worked all four quarters after exit suggests that those who work while on welfare are better able to hold steady jobs after leaving. For example, close to 75 percent of the leavers who worked four consecutive quarters before leaving welfare remained employed in all four quarters after leaving cash assistance.

With respect to quarterly earnings, it can be seen in Table 3.3 that the amount of pre-exit work experience is associated positively with post-exit earnings. The people who did not work in the four quarters prior to exit had median earnings ranging from $1,357 to $1,619, and the people who worked four quarters prior to exit had median earnings between $3,829 and $4,039.

Overall, the employment-related analyses for the three groups suggest somewhat more positive outcomes for assisted leavers than the unassisted ones. Among those with housing assistance, the findings suggest that the group with tenant-based assistance was more likely to be employed and have higher earnings in the follow-up period. It is possible that the positive outcomes among those receiving tenant-based assistance may, in some way, be due to the residential choice (a consequence of the form of assistance) and higher educational attainment (a background characteristics of individuals).[30] However, since the analyses presented in Section 1 points to basic differences in background characteristics between the three groups, multivariate analyses were conducted to examine the relationship between housing assistance status and post-exit earnings and employment stability, after controlling for a range of important background characteristics such as race, age, education, and pre-exit employment and earnings and welfare receipt. These findings are presented in Text Boxes 3.1 and 3.2.

Text Box 3.1 shows the regression adjusted and unadjusted means of housing status on post-exit earnings. Panel 1 of the text box presents the unadjusted means for the assisted groups compared to the unassisted. The coefficients represent the difference between the assisted and the unassisted group. The results imply that those who received project based assistance earned $38 more on average than the unassisted in the year after exit, but this difference was not statistically significant. The tenant-based assistance group earned $229 on the average more than the unassisted leavers, a difference that is statistically significant. The second panel of the text box shows the adjusted means, after controlling for other important explanatory variables on earnings. The coefficients represent the difference between the assisted groups and the unassisted, controlling for all of these other factors. The adjusted means are in the same direction as the unadjusted means, but the earnings difference between the tenant-based group and the unassisted is not statistically significant at the .05 level of significance.

Text Box 3.2 presents the results of a regression of housing status on post-exit employment stability (defined as the number of quarters worked in the four quarters after exit). Simi-

[30]A study of female AFDC recipients in four California counties (including Los Angeles) found a similar positive relationship between tenant-based housing assistance and employment outcomes. See Ong, 1998.

larly, the unadjusted and adjusted means are presented in the text box. The unadjusted means suggests that those who received tenant-based assistance were 5.5 percentage points more likely to work four consecutive quarters in the year after exit than the unassisted and this difference was statistically significant. The second panel in the table, which presents the adjusted means, confirms a statistically significant difference in employment stability between the tenant-based and the unassisted leavers, after controlling for background characteristics. The adjusted means suggest that the tenant-based leavers were 3.1 percentage points more likely to work four consecutive quarters in the year after exit than the unassisted leavers.

In sum, the univarite analysis presented in this section hinted at a slight earnings and employment advantage for the tenant-based assistance group. The multivariate analysis, which examined differences in earnings and employment stability, after controlling for a number of important background factors, confirms the univariate findings with respect to employment stability. However, this study cannot provide definitive reasons why employment stability is higher for those receiving tenant-based assistance. There are several explanations in the literature how housing subsidies can help families secure and maintain employment, and it is possible that some of those factors are at play here.[31]

[31] See Center on Budget and Policy Priorities, 2000.

## Text Box 3.1

### Results of Regression Analysis to Compare Differences in Earnings in Year After Exit: Unadjusted and Adjusted Differences

**Unadjusted Difference Between Assisted and Unassisted Groups**

| Employed all 4 quarters after exit | Unadjusted Mean | P Value |
|---|---|---|
| Intercept | 1837.3 | 0.00 |
| Project Based Difference | 38.1 | 0.74 |
| Tenant Based Difference | 229.5 | 0.00 |

**Adjusted Difference Between Assisted and Unassisted Groups, Controlling for Background Characteristics**

| | Regression Adjusted Difference from Unassisted | P value |
|---|---|---|
| **Earnings in year after exit** | | |
| *Intercept* | *500.5* | *0.15* |
| Has Less Than High School Education | -2.3 | 0.16 |
| Lives with Other Adults | 1.0 | 0.56 |
| Race/Ethnicity: White | -0.6 | 0.88 |
| Race/Ethnicity: Hispanic | 1.3 | 0.72 |
| Race/Ethnicity: Black | 3.9 | 0.27 |
| Age | -12.4 | 0.01 |
| Number of quarters employed in year prior to exit | 128.1 | 0.01 |
| Earnings in year prior to exit | 0.9 | 0.01 |
| Months of foodstamps prior to exit | 6.4 | 0.07 |
| Months of Medicaid prior to exit | -38.4 | 0.00 |
| Months on Welfare prior to exit | 66.2 | 0.01 |
| *Project based housing assistance* | *4.7* | *0.96* |
| *Tenant based housing assistance* | *104.1* | *0.06* |

**Text Box 3.2**

**Results of Regression Analysis to Compare Employment Stability in the Four Quarters After Exit: Unadjusted and Adjusted Differences**

**Unadjusted Difference Between Assisted and Unassisted Groups**

| Employed all 4 quarters after exit | Unadjusted Mean | P Value |
|---|---|---|
| Intercept | 33.73 | 0.0001 |
| Project Based | 3.93 | 0.1022 |
| Tenant Based | 5.50 | 0.0004 |

**Adjusted Difference Between Assisted and Unassisted Groups, Controlling for Background Characteristics**

| Employed all 4 quarters after exit | Regression Adjusted Difference from Unassisted | P Value |
|---|---|---|
| *Intercept* | *4.70* | *0.554* |
| Has Less Than High School Education | 0.00 | 0.940 |
| Lives with Other Adults | 0.01 | 0.879 |
| Race/Ethnicity: White | -0.04 | 0.665 |
| Race/Ethnicity: Hispanic | 0.02 | 0.834 |
| Race/Ethnicity: Black | -0.03 | 0.699 |
| Age | -0.11 | 0.001 |
| Number of quarters employed in year prior to exit | 11.03 | 0.001 |
| Earnings in year prior to exit | 0.01 | 0.001 |
| Months of Food Stamps prior to exit | -0.06 | 0.445 |
| Months of Medicaid prior to exit | -0.35 | 0.164 |
| Months on Welfare prior to exit | 1.20 | 0.000 |
| *Project based housing assistance* | *1.65* | *0.400* |
| *Tenant based housing assistance* | *3.07* | *0.000* |

## Job Characteristics and Barriers to Work

Up to this point, the employment-related analysis has relied on administrative records data for comparing employment and earnings outcomes for the three groups of leavers. This section draws on the follow-up survey to describe selected job characteristics for the groups of leavers. Table 3.4 presents this information on the current, or most recent job held, by respondents at the time of the survey interview.[32]

The top panel of Table 3.4 indicates that there is very slight variation across the unassisted and the assisted groups of leavers in the hours worked per week. Across the three groups, employed leavers worked an average of 34 hours a week. Close to 74 percent of the unassisted and tenant-based assistance groups and 72 percent of the project-based assistance group worked full-time, or over 30 hours per week. The project-based assistance group was more like to work regular daytime shifts, and the unassisted and the tenant-based groups were more likely to report working non-standard hours or rotating shifts.

Employed respondents were earning a little over an average of $8.00 an hour. The employed project-based leavers reported earning slightly lower hourly wages than the unassisted or tenant-based assistance groups. The median hourly wage was $7.50 for the unassisted leavers and close to 19 percent of those who worked in the year prior to the survey interview reported earning below the California minimum wage of $5.75 (not shown). The median hourly wage for those receiving tenant-based assistance was $7.9, compared to $7.2 for the project-based group.

An important indicator of job quality is the availability of employer-provided benefits such as health insurance, vacation days, and investment in education and training. The second panel in the table shows that between 49 and 55 percent of the leavers in the three housing assistance groups were in jobs which offered health insurance coverage.[33] Unassisted and tenant-based assistance leavers were more likely to be in jobs that offered health coverage or other benefits such as sick or personal days with pay. Research on leavers in general suggests that former recipients are less likely to be in jobs that provide health insurance and other benefits. Welfare tracking studies follow leavers for about a year after exit, and it is possible that the newly hired leavers are not eligible for employer-provided benefits, or, that leavers decline employer-provided health benefits because of the cost of purchasing employer-provided health care coverage or because they are eligible for other plans such as Medi-Cal.

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[32]This analysis of job characteristics focuses on those respondents who had worked at some point after leaving cash assistance. Hence, Table 3.4 focuses on 372 of the 456 survey respondents.

[33]Among those offered health insurance on the job, respondents in the tenant-based assistance groups were more likely to report that they were enrolled in the employer's health plan (not shown). Not being eligible for health coverage or not being able to afford it were the primary reasons for not accessing employer-provided health benefits.

**Table 3.4**

**Selected Characteristics of Current or Most Recent Job for Quarter 3 1998 CalWORKs Leavers, by Housing Assistance Status**

**Los Angeles County**

| Characteristics | Unassisted | Project-based Assistance | Tenant-based Assistance |
|---|---|---|---|
| Average number of hours worked per wee | 34.0 | 33.8 | 34.2 |
| Works Full Time (%) | 73.3 | 71.9 | 73.9 |
| Works Part Time (%) | 26.7 | 28.1 | 26.1 |
| Average earnings per hour ($ | 8.5 | 8. | 8. |
| Average earnings per week | 287.0 | 271.3 | 294.7 |
| Employer- provided benefits (%) | | | |
| Job has sick/personal days with pay | 48.0 | 44.2 | 49.2 |
| Job has paid vacation | 51.3 | 55.8 | 52.8 |
| Job has health/medical insurance for respondent | 54.6 | 49.1 | 54.5 |
| Work Schedule (%) | | | |
| Regular daytime shift | 58.6 | 63.2 | 57.6 |
| Regular evening | 5.7 | 10.5 | 11.5 |
| Regular night | 5.2 | 7.0 | 5.0 |
| Other (irregular, rotating, split shifts) | 30.5 | 19.3 | 25.9 |
| Commute to work (%) | | | |
| Average Commute (minutes) | 28.3 | 24.7 | 29.3 |
| Drive own ca | 47.7 | 50.0 | 46.4 |
| Drive someone else's car | 6.9 | 5.2 | 7.1 |
| Get a ride with someone | 14.9 | 15.5 | 17.1 |
| Use public transportation | 24.7 | 25.9 | 20.0 |
| Walk | 6.9 | 8.6 | 8.6 |
| Work at home | 5.7 | 1.7 | 7.9 |
| Sample size | 174 | 58 | 140 |

SOURCE: Calculations from the follow-up survey.

The final panel in the table presents information on transportation and average commute times to work for employed respondents. With welfare reform's growing emphasis on welfare to work transitions, questions have arisen about how welfare recipients travel to work, and whether they have long or short commutes. On work commute, the table shows that average commute time is under half an hour for all three groups, with the project-based assistance group reporting a somewhat shorter commute. The commute times reported by the three groups appear to be relatively short, compared to expectation that most former recipients live in inner-city neighborhoods and far from places of employment. Unlike the northeastern cities with high concentrations of welfare, it's possible that because Los Angeles County's welfare population is more dispersed that welfare recipients are more likely to live closer to places of employment. An alternative explanation is that because of the transportation challenges in a county the size of Los Angeles, the welfare population is more likely to be connected to very local employment opportunities. On the issue of transportation, the study finds that close to half of all the three groups of leavers working at the time of the follow-up survey using their own car to get to work. A significant portion of the respondents relied on public transportation or got a ride with someone else, however.

Section 4

# Welfare Recidivism and Use of Other Government Supports for Assisted And Unassisted Leavers.

## Welfare Receipt

One sign of an unsuccessful transition off of welfare is a return to welfare. The literature on welfare dynamics suggests that a number of factors influence how long former recipients stay off welfare. This section examines the extent to which welfare recidivism varies for assisted and unassisted welfare leavers in the year after exit. Whether leavers rely on other forms of government assistance, such as Food Stamps and Medi-Cal (California's Medicaid program), is examined as well.

Welfare recidivism rates are shown in Table 4.1. In each of the four quarters after exit, individuals are counted as receiving assistance if they were active recipients for at least one month in the quarter. It is important to note that the definition of a welfare leaver includes individuals who left cash assistance for two consecutive months. One-month interruptions in CalWORKs receipt are generally due to non-compliance, administrative errors, sanctions, and other issues that can be resolved within a month and do not reflect transitions off welfare.

Three measures of post-exit welfare receipt are shown in the table for the unassisted and assisted leavers. The top part of Table 4.1 shows welfare receipt rates in the four quarters after exit and begins with the first quarter after the exit quarter. Fourteen percent of the unassisted leavers, 16 percent of those with project-based assistance, and 18 percent of those receiving tenant-based assistance returned to welfare within one quarter of leaving. The percent receiving welfare increased for all groups by the fourth quarter of exit. Quarterly rates of welfare recidivism were higher for the assisted group than those without housing assistance at the point of exit.

When welfare receipt for all four quarters after the quarter of exit is examined (second panel), close to one-third of the leavers in each of the groups received welfare in the follow-up period— 31 percent of the unassisted leavers, compared to 35 percent of those receiving project-based assistance and 36 percent of those receiving tenant-based assistance. It should be noted that no sample member in this study reached a lifetime time limit, which is 5 years, during the follow-up for this study.[34]

[34]In California, at the time limit, only the adult's portion of the grant is cancelled, and the children on the case can continue to receive welfare.

**Table 4.1**

**Welfare Recidivism for Quarter 3 1998 CalWORKs Leavers, by Housing Assistance Status**

**Los Angeles Count**

| Outcome | Unassisted | Project-based Assistance | Tenant-based Assistance |
|---|---|---|---|
| **Percentage receiving cash assistance (%)** | | | |
| 1 quarter after leaving welfare | 14.0 | 16.0 | 18.1 |
| 2 quarters after leaving welfare | 22. | 25. | 27. |
| 3 quarters after leaving welfare | 23.7 | 27.7 | 28.7 |
| 4 quarters after leaving welfare | 25.1 | 29.4 | 29.8 |
| **Ever received cash assistance, quarters 1-4 (%)** | 31.1 | 35.4 | 35.7 |
| **Returning to Cash Assistance Within One Year, By Prior Work History (%)** | | | |
| No work previous four quarters | 36.8 | 46.1 | 42.2 |
| Work 1 previous quarter | 34.0 | 43.9 | 40.4 |
| Work 2 previous quarters | 31.5 | 29.3 | 31.8 |
| Work 3 previous quarters | 26.8 | 36.6 | 35.5 |
| Work 4 previous quarters | 20.0 | 18.0 | 24.6 |
| Number of Adult Leavers | 13,579 | 401 | 1,007 |

SOURCE: Calculations from California MEDS Files, HUD's MTCS and TRACS data.

The bottom panel of Table 4.1 presents welfare recidivism rates in the year after exit, by the number of quarters worked in the year prior to exit. As shown in the table, welfare recidivism rates were the highest for those with no (or little) work experience in the year prior to exit. Leavers who had worked all four quarters prior to exit were less likely to return, compared to those who had one to three quarters of work experience. Unassisted leavers were also less likely to return to welfare (probably because of having alternative means of support), compared to the assisted housing leavers.

Table 4.2 takes a closer look at the characteristics of those who did or did not return to welfare in the follow-up period (stayed off for 12 consecutive months after welfare) and compares these characteristics for the three housing assistance groups. It should be noted that in this analysis the 12-month period for each sample members begins with the first month off welfare and ends after 12 months have elapsed. Thus, individuals whose first month off welfare was July 1998 are classified as not returning to welfare if they were off every month through June 1999.

Among those who did not return to welfare in the follow-up period (second panel of the table), it appears that the assisted leavers were somewhat more advantaged with respect to employment and earnings, when compared to the unassisted leavers: they were more likely to have worked all four quarters after exit and were more likely to have higher quarterly earnings. Forty percent of the unassisted leavers who did not return worked all four quarters, compared to 46 percent of the assisted leavers. Further, the median quarterly earnings for the unassisted leavers were about 9 percent (or $311) lower than the earnings reported by the assisted leavers. Since unassisted leavers were more likely to be living with other adults, it is possible that they were less likely to work and were more likely to be supported by husbands or other family members.

Use of other government support for those who did or did not return on welfare is also considered in the table. As shown, Food Stamp receipt rates remained very low for the leavers who remained off welfare, and this pattern was consistent across all three groups. This observation is consistent with the overall Food Stamp participation trends for the county's welfare leavers. Medi-Cal receipt, on the other hand, remained high for all leavers, regardless of welfare receipt or housing status.

Compared to those who stayed off welfare, those who returned were more likely to have worked a little or not at all in the four quarters of follow-up. Roughly 45 percent of those who returned (across all 3 groups) did not work even one quarter post exit; further just about one-fifth of those who did work, did so for all four quarters after exit. Among those returning, the tenant-based assistance group was a little more likely to have worked steadily in the follow-up period.

**Table 4.2**

**Characteristics of Quarter 3 1998 CalWORKs Leavers who Did/Did Not Return to**

**by Housing Assistance Status**

**Los Angeles County**

| Outcome | Unassisted | Project-based Assistance | Tenant-based Assistance |
|---|---|---|---|
| **Adult leavers returning to cash assistance** | | | |
| Never employed (%) | 45.6 | 45.1 | 43.5 |
| Employed 1 quarter (%) | 12.9 | 12.7 | 11.1 |
| Employed 2 quarters (%) | 11.0 | 7.0 | 7.8 |
| Employed 3 quarters (%) | 10.1 | 13.4 | 9.7 |
| Employed 4 quarters (%) | 20.4 | 21.8 | 27.9 |
| Median quarterly earnings ($) | 1,763 | 1,747 | 2,119 |
| Ever on Food Stamps (%) | 71.9 | 79.6 | 78.8 |
| Ever on Medicaid (%) | 99.7 | 100.0 | 99.4 |
| Total number of adults returning | 4,225 | 142 | 359 |
| **Adult leavers not returning to cash assistance** | | | |
| Never employed (%) | 39.0 | 39.4 | 35.3 |
| Employed 1 quarter (%) | 6.6 | 2.7 | 4.2 |
| Employed 2 quarters (% | 6.2 | 1.9 | 6.5 |
| Employed 3 quarters (%) | 8.4 | 9.7 | 8.5 |
| Employed 4 quarters (%) | 39.7 | 46.3 | 45.5 |
| Median quarterly earnings ($) | 3,277 | 3,582 | 3,588 |
| Ever on Food Stamps (%) | 16.1 | 17.0 | 22.4 |
| Ever on Medicaid (%) | 88.8 | 90.0 | 92.4 |
| Total number of adults not returning | 9,354 | 259 | 648 |
| Total Number of Adult Leavers | 13,579 | 401 | 1,007 |

SOURCE: Calculations from California MEDS Files, Employment Development Department Unemployed Insurance records, HUD's data, and TRACS data. County Food Stamp payment data used to calculate Food Stamp receipt.

The leavers who returned to welfare were more likely to have received Food Stamps and Medi-Cal in the follow-up period, compared to those who stayed off welfare.

## Food Stamp and Medi-Cal Receipt

Welfare leavers are eligible for noncash assistance to help support their transition off of welfare. To a large extent, these benefits are available to those who qualify because of low income. Important questions for public policy arise about the extent to which low-income families and former welfare recipients rely on these supports and the role that these noncash supports play in helping people transition off welfare. This section draws on administrative records data to examine the extent to which post-exit receipt of such supports varied by leavers' housing assistance status.

Until the passage of PRWORA, cash assistance and Medi-Cal were linked, and families receiving cash welfare were automatically eligible for Medi-Cal. The link between Medi-Cal and cash assistance was severed with PRWORA, an attempt to assure that TANF rules would not disrupt people's ability to continue Medi-Cal coverage. California, however, decided to maintain the link between Medi-Cal and CalWORKs, and recipients are automatically eligible for Medi-Cal. Most families leaving CalWORKs automatically receive Medi-Cal for a minimum of one month until their eligibility for Transitional Medi-Cal (TMC) or any other Medi-Cal program is determined.[35] If the family cannot be located or does not comply with necessary procedures within 30 days, their Medi-Cal benefits are terminated. TMC is designed to provide continuing health coverage in such transitions for up to one year.

Food Stamp receipt, although not officially tied to cash assistance, is administered by the same agency. National and state welfare leavers studies have shown that participation in Food Stamp and Medi-Cal programs has dropped dramatically since welfare reform was implemented. While families with income below 130 percent of poverty are eligible for Food Stamp benefits, the evidence from other studies suggests that people eligible are not receiving these benefits.[36] Seventy percent of the unassisted leavers, 77 percent of those receiving project-based assistance, and 72 percent of the tenant-based group reported household incomes below 130 percent of poverty. The maximum Food Stamp benefit for a single parent working a minimum wage is $260, making Food Stamps a significant income supplement for families transitioning from welfare to work.[37]

Table 4.3 shows Los Angeles County's leavers' retention of Food Stamps and Medi-Cal benefits in the four quarters after exit. The first two panels in the table show quarterly receipt rates and the percent who ever received Food Stamps in the four quarters of follow-up. Overall, the proportion of leavers retaining Food Stamps was higher among those receiving some form of housing assistance. In the first quarter after exit, 35 percent of the unassisted leavers received Food Stamps, compared to 42 and 44 percent of project-based and tenant-based assistance groups. By the fourth quarter after exit, Food Stamp participation rates declined for all three

[35]This coverage is assured as a result of the court case Edwards v. Kizer.

[36]Los Angeles County has initiated extensive outreach activities that are aimed at increasing Food Stamp participation among the eligible population (internal communication from DPSS).

[37]Zedlewski and Brauner, 1999.

groups, but participation remained somewhat higher among those receiving housing assistance.

Post-exit Medi-Cal receipt is shown in the bottom two panels of Table 4.3. Consistent with the findings about Medi-Cal coverage for Los Angeles County's CalWORKks leavers, a very higher portion of leavers in all three groups were likely to have been covered for in the four quarters of follow-up.[38] By the fourth quarter after exit, there's a slight decline in coverage. Although the study does not explicitly examine reasons why families lose Medi-Cal coverage, it is possible that changes in eligibility status or failure to meet eligibility requirements resulted in the drop in Medi-Cal coverage.

**Table 4.3**

**Post-Exit Food Stamp and Medi-Cal Receipt for Quarter 1998 CalWORKs by Housing Assistance**

**Los Angeles**

| Outcome | Unassisted | Project-based Assistance Leavers | Tenant-based Assistance Leavers |
|---|---|---|---|
| **Food Stamp receipt (%)** | | | |
| 1 quarter after leaving welfare | 34.8 | 41.6 | 44.5 |
| 2 quarters after leaving welfare | 33.1 | 40.6 | 41.8 |
| 3 quarters after leaving welfare | 31.7 | 38.4 | 40.5 |
| 4 quarters after leaving welfare | 30.9 | 36.2 | 40.5 |
| **Ever received Food Stamps, quarters 1-4** | 33.5 | 39.2 | 42.5 |
| **Medicaid receipt (%)** | | | |
| 1 quarter after leaving welfare | 90.0 | 93.0 | 93.9 |
| 2 quarters after leaving welfare | 89.5 | 91.3 | 94.0 |
| 3 quarters after leaving welfare | 88.7 | 90.0 | 92.4 |
| 4 quarters after leaving welfare | 87.5 | 88.8 | 91.7 |
| **Ever received Medicaid, quarters 1-4** | 92.2 | 93.5 | 94.9 |
| Number of Adult Leavers | 13,579 | 401 | 1,007 |

SOURCE: Calculations from California MEDS Files, County Food Stamp payment data, HUD's MTCS data and TRACS data.

[38]See Verma and Hendra, 2001.

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Section 5

# Post-Exit Economic and Material Well-Being of Assisted and Unassisted Household

This section draws on survey data to examine a range of outcomes that could not be assessed with administrative records. The survey data enable a fairly detailed analysis of income and poverty for the three groups of interest. These data also provides an opportunity to examine a range of measures of family well-being, including information about mobility, housing and neighborhood quality, material hardships, food insecurity, and the use of various supports.

Before turning to the survey-based findings, a couple reminders are in order. First, leavers are grouped into the assisted and unassisted categories based on their HUD assistance status at the time of their welfare exit in quarter 3 1998; it is possible that by the time of the survey interview housing assistance status for some of the survey respondents could have changed.[39] For example, some unassisted leavers could have become eligible for housing assistance or assisted leavers could have lost their housing assistance or changed their category of assistance. Second, the survey-related analyses are based on small sample sizes, and readers are cautioned from drawing broad generalizations from these findings. Finally, as noted in the introduction, the survey analyses are based on samples combined from the assisted housing survey and the Los Angeles Post-TANF survey. A total sample of 456 respondents was analyzed, of which 210 were unassisted leavers, 74 were receiving project-based assistance, and 172 were receiving tenant-based assistance.

## Income and Poverty

To better understand income and income sources available to former recipients, the surveys asked sample members to report their families' income, from all sources, in the month prior to the survey interview. Table 5.1 compares income information reported by the respondents from themselves and for the other adults living with them. As shown in the table, unassisted leavers reported higher average total household income than their assisted counterparts ($1,444 versus $1,178 and $1,297); families receiving tenant-based assistance reported higher income than those who were receiving project-based assistance at the time of exit. As defined for this study, total household income includes earnings, TANF benefits, the dollar value of Food Stamp benefits, child support payments, Earned Income Credit refunds, Supplemental Security Income, and other income attributed to the respondent and other adults in the household. As shown, 41 percent of the unassisted and the tenant-based assistance groups were residing in households where the average monthly income was under $1,000. Forty-eight percent of those receiving project-based assistance reported total household incomes under $1,000.

[39]Housing assistance status is a key measure in this analysis. The analysis, however, does not attempt to correct peoples' housing status based on survey self-reports because we do not have the administrative data that is needed to verify self-reported housing status. Martin and Shroder (1996) have raised questions about the accuracy of these data. They report that a substantial number of respondents in the American Housing Survey misreported their assisted housing status when asked the question whether they lived in private, public, or other subsidized housing.

## Table 5.1

## Income and Income Sources for Q3 1998 CalWORKs Leavers, by Housing Assistanc

## Los Angeles

| Characteristics | Unassisted | Project-based Assistance | Tenant-based Assistance |
|---|---|---|---|
| Household Income ($) | 1,444 | 1,178 | 1,297 |
| Distribution of total monthly household income (%) | | | |
| $0 | 4.3 | 2.7 | 2.9 |
| $1-$999 | 36.7 | 44.6 | 39.0 |
| $1,000-$1,999 | 36.7 | 43.2 | 38.4 |
| $2,000-$2,999 | 12.9 | 4.1 | 16.3 |
| $3,000 or more | 9.5 | 5.4 | 3.5 |
| **Average respondent income ($)** | | | |
| Total Income | 961 | 896 | 1,096 |
| Earnings | 666 | 622 | 685 |
| TANF | 111 | 124 | 139 |
| Food Stamps | 64 | 76 | 80 |
| Child support | 25 | 25 | 26 |
| SSI payments | 42 | 23 | 67 |
| Outside family | 31 | 7 | 27 |
| Other | 22 | 19 | 73 |
| **Average income from others in the household ($)** | | | |
| Total Income | 484 | 282 | 200 |
| Earnings | 383 | 176 | 109 |
| TANF | 30 | 38 | 30 |
| Food Stamps | 5 | 5 | 8 |
| Child support | 0 | 0 | 0 |
| SSI payments | 34 | 21 | 43 |
| Outside family | 1 | 5 | 5 |
| Other | 31 | 37 | 6 |
| Sample size | 210 | 74 | 172 |

SOURCE: Calculations from the LA Post-TANF and assisted-housing follow-up surveys.

NOTE: Those who had missing values on any of the components of income had these values imputed with the mean value for that component within the group.

Table 5.1 also presents information on income and income sources attributable to the respondents and to other adults in the household. Several findings emerge from this analysis of income. First, respondents and other adults in the household report multiple sources of income. Second, whether one looks at total household or individual income (respondent or other) it is clear that earnings comprise a significant source of income, although the contribution of earnings to total household income tends to vary by housing assistance status and whether one lives with other adults. In this sample, unassisted leavers were more likely to be living in a household that included an adult with one or more source of income: Over one-third (or 39 percent) of the unassisted leavers reported that they were living with an adult who provided income, compared to about 28 percent of the assisted leavers.[40] Further, the income of other adults living in unassisted households was more likely to be comprised of earnings as opposed to public assistance income.

In addition to looking at income composition, respondents' total household income in the month prior to the interview was compared with the U.S. poverty threshold to estimate the poverty rate for these groups. The poverty threshold for a family of three in 1999 was $13,880.[41] The percent living in poverty was higher among the project-based leavers. Sixty-three percent of the families receiving project-based assistance at the time of exit were living in households with incomes below the poverty threshold. Fifty-five percent of the unassisted leavers and those receiving tenant-based assistance reported income below the poverty threshold. These poverty calculations are based on total household income, and poverty rates are higher among the project-based leavers because they have lower earnings and they are more likely to be relying on their own earnings as the primary income support.

### Material Well-Being

Findings from national and local studies are beginning to provide some insights into the post-exit circumstances of families leaving welfare. Reports based on the National Survey of America's Families (NSAF) have shown that between one-third and one-half of former recipients experience serious economic struggles, as reflected in their inability to provide food and meet
regular rent payments.[42] Findings from the NSAF also indicate that former recipients tend to experience more material hardships than low-income mothers despite other similarities.[43] This section will examine the evidence on post-exit well-being for groups that differ with respect to their assisted housing status.

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[40]Unassisted leavers were more likely than the assisted leavers to be living with an adult at the time of the survey interview: 64 percent of the unassisted leavers were living with a spouse or another related or unrelated adult. Forty-seven percent of the project-based leavers and 42 percent of the tenant-based leavers were living with other adults.

[41]The 1999 poverty threshold is used because a significant portion of the survey interviews were conducted in this period.

[42]Loprest, 1999.

[43]It is important to note, however, that while former recipients tend to experience higher levels of material hardship than low-income mothers, there's little evidence that they experience more hardship than welfare stayers. A study of former and current recipients, based on the NSAF data, reports that there no statistically significant differences in the health status of former and current recipients; further, these two groups did not differ with respect to their reported levels of hardship, such as food insecurity and difficulty paying bills.

A number of indicators of well-being are examined in this section. The six-item U.S. Department of Agriculture Food Security Scale is used to assess the level of food insecurity experienced in the month preceding the survey interview.[44] The scale classifies respondents into three categories of food security: food secure, food insecure, and food insecure with hunger. In addition to the food security measures, a several single item measures are used to assess unmet medical needs, housing conditions, neighborhood quality, and other experiences of material hardship.

**Food security and unmet medical needs.** The first panel in Table 5.2 shows the levels of food security for those surveyed. The assisted and unassisted leavers vary considerably with respect to this outcome. Fifty-seven percent of the unassisted leavers were classified as being food secure. In comparison, 38 percent of the project-based group and 44 percent of those receiving tenant-based assistance were classified as food secure. Reports of food insecurity with hunger were higher among the assisted leavers.[45] The assisted leavers were also more likely to report that someone in their household had received food from a charitable organization in the month before the survey interview. The higher levels of food insecurity among the assisted housing leavers could be related to their lower participation in the Food Stamp program. Further, based on the earnings and income reported by the assisted and unassisted leavers, it appears that families eligible for Food Stamp assistance were going without these benefits.

The second panel in Table 5.2 presents information on the level of unmet medical need reported by the assisted and unassisted leavers. As shown, sample members in the project-based assistance group were less likely to report an unmet medical or dental need compared to those in the tenant-based assistance group or those unassisted. These levels of unmet needs appear somewhat high, especially given the high levels of Medi-Cal coverage (shown in Table 4.3) observed in the first year after exit for these leavers. The survey interviews were conducted approximately a year and a half after exit and, it is possible, that some families could have lost Medi-Cal coverage after the first year off welfare and, thus, were more likely to report unmet medical needs.

**Housing hardships**. The third panel of Table 5.2 presents information on housing hardships experienced by leavers in the year prior to the survey interview. Four measures, each of which represents a dimension of housing hardship, are examined below. First, respondents were asked if they had been evicted, been homeless, or if they had lived in a homeless shelter in the year before the survey interview. Eleven percent of the unassisted group and 13 percent of those receiving tenant-based assistance said that they had experienced this hardship; about 5 percent of those receiving public housing assistance experienced this situation.

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[44]Carlson, Andrews, and Pickel, 1999. The six-item scale is an abridged version of the 18-item Household and Food Security Scale, which is administered by the U.S. Bureau of the Census through its Current Population Survey since 1995 to assess national food security. There is evidence that the abridged scale provides a valid assessment of food security.

[45]Nationally, about 10 percent of the population is classified as being food insecure, and 3.6 percent is reported as experiencing hunger.

## Table 5.2
## Material and Economic Well-Being for Quarter 3 1998 CalWORKs by Housing Assistance
## Los Angeles

| Characteristics | Unassisted | Project-based Assistance | Tenant-based Assistance Leavers |
|---|---|---|---|
| **Food security (%)** | | | |
| Food Secure | 56.9 | 38.4 | 44.0 |
| Food Insecure | 21.1 | 30.1 | 28.0 |
| Food Insecure with hunger | 22.0 | 31.5 | 28.0 |
| Respondent or someone in family received food from charitable organization in prior month | 7.1 | 10.8 | 12.3 |
| **Unmet medical or dental needs in past 12 months (%)** | | | |
| Someone in family needed to but could not see doctor or go to hospital because did not have money or insurance | 21.0 | 17.6 | 29.8 |
| Someone in family needed to but couldn't go to dentist because didn't have money or insurance | 24.8 | 14.9 | 34.7 |
| **Housing hardships in past 12 months (%)** | | | |
| Been evicted, stayed in emergency or domestic violence shelter, or been homeless | 11.0 | 5.4 | 12.8 |
| Housing problems such as leaking ceilings, broken windows, plumbing problems, water or heat problems, and rats or bugs | 21.4 | 23.0 | 27.5 |
| Gas or electricity ever shut off because could not pay bill | 16.2 | 8.3 | 24.0 |
| Excess rent burden | 42.5 | 23.8 | 22.6 |
| **Debt (%)** | | | |
| Household has more than $100 in debt | 62.4 | 59.5 | 64.5 |
| Amount of debt (among those with debt) | | | |
| $1-$1000 | 39.5 | 41.9 | 34.9 |
| $1001-$2000 | 20.2 | 30.2 | 12.8 |
| $2001 or more | 40.3 | 27.9 | 52.3 |
| Sample size | 210 | 74 | 172 |

SOURCE: Calculations from the LA Post-TANF and assisted-housing follow-up surveys.

Next, respondents were asked about the quality of their dwelling, and whether they lived in housing with structural problems (such as leaky roofs and broken windows), water or heating problems, or other signs of neglect and disrepair. Because government housing regulations require assisted housing units to meet housing quality standards, it is expected that housing quality would be better for individuals receiving housing assistance; however, it is possible that this assumption will not hold if housing standards are violated, or if certain housing units are not assessed for these requirement. In this study, the unassisted respondents were somewhat less likely to report problems with housing quality. Contrary to expectation, those receiving housing assistance, particularly those in the tenant-based assistance category, were more likely to report a problem with the physical adequacy or quality of their housing unit. Tenant-based assistance in the form of Section 8 vouchers is expected to help families move to better quality housing and neighborhoods.

The two other items that get at housing hardships are the rent burden experienced by families and the ability of families to pay for their utility expenses. Our analysis adopts the HUD definition for "excess rent burden," which is described as spending more than 50 percent of household income on rent and related expenses such as gas and electricity. Forty two percent of the unassisted leavers reported that their monthly housing costs for rent and utilities exceeded 50 percent of their total income. As discussed earlier, the majority of the leavers were not receiving any form of housing assistance when they went off welfare. Roughly 23 percent of those receiving project- or tenant-based assistance were spending over 50 percent of their income on housing. Across all three groups, excess rent burden was highest among families with low earnings.[46] For example, median earnings for unassisted families who, by HUD's definition, do not experience rent burden, was $1350, compared to $225 among the unassisted families with rent burden. Similarly, for those receiving housing assistance, families with excess rent burden reported median earnings around $252, compared to $618 for those in the no rent burden group.

In addition to experiencing excess rent burden, a number or respondents indicated that they had their gas or electricity turned off because of trouble paying bills. Sixteen percent of the unassisted leavers and 24 percent of those who received tenant-based assistance reported this problem.

**Neighborhood conditions**. The incomes of former recipients, to a large degree, constrain their housing and neighborhood choices. In the mid-1990s, almost 54 percent of public housing residents were living in areas with high levels of poverty, where over 30 percent of the population in the area had income below the poverty line.[47] Further, welfare recipients receiving housing assistance were more likely to live in neighborhoods with high-levels of poverty compared to their counterparts who were not receiving housing assistance. The concentration of poor in public housing and high-poverty neighborhoods is viewed to be harmful because it is associated with

[46]A recent study of housing affordability in Cuyahoga County (Cleveland), found an $850 difference in the median monthly earnings between the no rent burden and extreme rent burden groups. See Coulton, Pasqualone, Martin, Bania, Lalich, & Nelson, 2001.

[47]Newman and Schnare, 1997.

high-levels of unemployment, social problems, and a negative environment for growing children. Evidence from the housing mobility studies suggests that neighborhood quality has important implications for both child and adult well-being.[48]

To assess how respondents in the three housing assistance groups viewed their neighborhoods, the surveys asked respondents to rate their respective neighborhoods on a number of dimensions. These findings are presented in Table 5.3. The top panel in the table presents responses to the question on neighborhood satisfaction. Respondents were asked to rate their neighborhood on a scale of 1 to 5, where a score of one represents high satisfaction with the neighborhood and a score of 5 indicates great dissatisfaction. Unassisted leavers were more likely to report satisfaction with their neighborhoods. Those receiving project-based assistance were the least likely to express satisfaction with their neighborhood, and those receiving tenant-based assistance fell in the middle. Twelve percent of the unassisted leavers, 23 percent of those receiving project-based assistance, and 21 percent of those receiving tenant-based assistance expressed dissatisfaction with their neighborhood.

To further understand whether specific aspects of the neighborhood were of particular concern, respondents were asked to rate the extent to which they were bothered by neighborhood problems such as gangs, unsupervised teenagers, assaults/fights, vandalism, theft, guns, and drugs. These problems were rated on a scale 1 to 3, where a score of 1 implies no problem, a score of 2 implies a small problem, and a score of 3 implies a big problem. The second and third panels in the table show the levels of concern perceived by the respondents. Overall, both assisted and unassisted leavers were concerned about problems in their respective neighborhoods, but the levels of concern about neighborhood safety and conditions were much higher among the assisted leavers, with the project-based leavers being more likely to indicate concerns about neighborhood safety. The assisted leavers also were more likely to express concerns about more problems (as evidenced by the number of perceived problems), than their unassisted counterparts.

The similarity in the levels of perceived neighborhood distress between the two assisted housing groups is a little surprising. In principle, families with Section 8 tenant-based assistance should be more likely to move out of very poor neighborhoods and improve their neighborhood quality because of the mobility choice inherent in the tenant-based assistance program; thus, it is expected that these families would be living in safer neighborhoods and feeling a higher degree of neighborhood safety. Although this study just assesses perceptions of neighborhood distress and not the actual incidence of problems or victimization, it is fair to assume that respondents' perceptions of safety are based on their experiences and observations or awareness of such problems in their immediate neighborhoods. So why do the two groups of assisted leavers share similar levels of concern about their neighborhood? Aside from the fact that we are dealing with a very small sample, it is worth considering whether the local housing market has any ffect on the availability and quality of tenant-based Section-8 units. It is possible that both groups of assisted leavers in this study are more likely to live in similar types of neighborhoods because of the tight housing market in Los Angeles. In other words, tenant-based Section 8 assistance might not re-

[48]Ludwig, Duncan, and Ladd, 2001. Leventhal and Brooks-Gunn, 2001.

sult in improved neighborhood quality in Los Angeles, as might be expected to be the case in regions with looser housing markets.

**Table 5.3**

**Perception of Neighborhood Quality for Quarter 3 1998 CalWORKs by Housing Assistance**

**Los Angeles**

| Characteristics | Unassisted | Project-based Assistance | Tenant-based Assistance |
|---|---|---|---|
| **Neighborhood (%)** | | | |
| Very satisfied | 41.0 | 28.4 | 34.5 |
| Somewhat satisfied | 24.8 | 20.3 | 26.3 |
| Notsatisfied nor dissatisfied | 21.9 | 28.4 | 18.1 |
| Somewhat dissatisfied | 7.1 | 13.5 | 10.5 |
| Very dissatisfied | 5.2 | 9.5 | 10.5 |
| **Perceived neighborhood problems (%)** | | | |
| Gangs | 42.1 | 64.4 | 54.5 |
| Lack of police protection | 24.2 | 45.1 | 30.4 |
| Vandalism | 33.3 | 49.3 | 50.9 |
| Theft | 34.8 | 46.6 | 47.1 |
| Vehicle break-ins | 30.4 | 44.6 | 51.2 |
| Assaults/fights | 26.9 | 38.4 | 39.5 |
| Unsupervised teenagers | 36.4 | 51.4 | 49.1 |
| Guns | 27.9 | 46.5 | 40.5 |
| Drugs | 38.8 | 61.1 | 52.4 |
| **Number of problems** | 2.9 | 4.3 | 4.1 |
| 0 | 30.8 | 20.0 | 28.4 |
| 1-3 | 37.4 | 27.7 | 21.6 |
| 4 or more | 31.8 | 52.3 | 50.0 |
| Sample size | 210 | 74 | 172 |

SOURCE: Calculations from the LA Post-TANF and assisted-housing follow-up surveys.

Appendix A

# Survey Response Analysis

The information on sources of income, household composition, job characteristics, hardship indicators, and child and family outcomes was derived primarily from the client survey. This appendix explores the extent to which the survey respondent sample is representative of the survey sample and the full universe of 1998 assisted leavers. This appendix also includes a comparison of assisted (HUD) and non-assisted leavers.

The survey sample was drawn from the 14,987 individuals who left public assistance in quarter 3, 1998. This group is referred to as the *1998 cohort* in this section. For the purposes of this study, this sample was further narrowed to the 1,408 individuals who were also receiving housing assistance. This group is referred to as the *HUD universe* in this section. A subset of this sample was selected to participate in the client survey. This is referred to as the *survey sample* and includes the 321 members of the HUD universe who were selected at random. Of this group, 216 individuals (approximately 15 percent of the HUD universe and approximately 67.3 percent of the survey sample) completed the survey.[49] Sample members who completed the survey are referred to as *respondents*, while sample members who did not complete it are referred to as *non-respondents*.

Whenever survey response rates are less than 100 percent, it is important to examine differences between those who responded and the remainder of the report sample. In a study like this one, two types of factors may confound the interpretation of the findings. First, the sample that was selected for the survey may be systematically different from the remainder of the HUD universe. This is referred to as "sampling bias." Second, survey respondents may be systematically different from those who did not respond to the survey. This is referred to as "response bias."[50]

To summarize the results presented below, there were no systematic differences between the characteristics of the survey sample and the remainder of the HUD universe. This is not surprising given that the sample was randomly drawn from the HUD universe. However, there are some differences between the respondents and non-respondents due to *response* bias. In other words, those who responded were slightly different on some background characteristics then non-respondents. As a result, caution should be exercised when generalizing survey findings to the report sample. This is probably due to the lower response rate (67 percent of those attempted). However, this response rate is typical of other recent leavers studies.

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[49]Of the 105 non-respondents, 47 could not be located. An additional 11 were located but the field period ended before the interview was completed (mostly due to missed appointments). 38 individuals did not complete a survey due to their refusal to do so. 8 individuals spoke neither English nor Spanish and therefore could not be interviewed due to a language barrier. Finally, 1 sample member didn't complete the survey either because they were incapacitated, incarcerated, deceased, institutionalized, or some other reason.

[50]For both of these comparisons the focus will be on the HUD universe since this study is designed to study the post-welfare experiences of *assisted* leavers.

## Comparisons Between the Survey Sample and Report Sample

Table A.1 presents means on some background characteristics from the survey sample, and the remainder of the HUD universe.[51] The first two columns of Table A.1 show that there are no systematic differences between the survey sample and the remainder of the HUD universe. Only one of the differences in means was statistically significant: the survey sample is about 3.6 percentage points more likely to be white. This is likely due to a random process. Other differences in employment and welfare history are very minor. In addition to these comparisons, a regression was run that modeled sample membership on background characteristics. The standardized regression coefficients are presented in the right panel of Table A.1.Not surprisingly, this regression was insignificant (F=.89, p = .57) and only two of the covariates had significant ability to predict sample membership. Overall, the survey sample seems representative of the full HUD universe.

## Comparisons Between Respondents and Non-respondents Within the Survey Sample

Overall, approximately 67 percent of the survey sample actually completed the client survey. This response rate is similar to that obtained in many other studies involving former welfare recipients. A key question for interpreting the findings from the client survey is whether the respondents are representative of the survey sample. To address this question, Table A.2 presents means on selected background characteristics for the respondent and non-respondent samples. Multiple regression analysis was also used to determine the extent to which the average characteristics of the respondents were different from those of non-respondents. The standardized regression coefficients are presented in the right panel of Table A.2.

Taken together, the results presented in Table A.2 show that there is some mild response bias. Although the survey sample is statistically comparable to the remainder of the report sample, those who responded to the survey appear to differ on some dimensions from those who did not, (not an unexpected finding). Specifically, Table A.2 shows that survey respondents were more likely to be Hispanic, and had somewhat less intensive welfare use than non-respondents. For example, those who responded to the survey were over 13 percentage points more likely to be Hispanic then non-respondents. Respondents also received 1 month less of food stamps in the 9-quarter follow-up period. The origin of this bias is unclear. In many recent studies, bias seems to stem from having a record in a computerized tracking system.[52] This makes sense since administrative systems usually have more updated contact information about respondents that allows them to be more easily located. In this case, to a mild extent, the opposite seems to have happened (on the welfare side). At any rate, the regression shows that the bias was <u>not</u> statistically significant (F-statistic 1.41,p = .1397). However, given the "point" differences, particularly on some of the demographic variables, some caution should be exercised when generalizing these results to the full universe of HUD leavers.

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[51]The 1998 cohort was broken up into these non-overlapping groups in order to permit statistical tests.

[52]See Bloom et al., 2000.

**Table A.1**

**Background Characteristics of Assisted Housing Sample, by Sampling Status**

**Quarter 3 1998 CalWORKs Leavers, Los Angeles Count**

| Characteristics | Survey Sample | Remainder of Assisted Leavers | Difference | Percent Difference | Standarized Regression Coeffecient |
|---|---|---|---|---|---|
| White (%) | 11.8 | 8.3 | 3.6 | 43.0 * | 0.0985 * |
| Hispanic (%) | 29.9 | 28.1 | 1.8 | 6.6 | 0.09467 |
| Black (%) | 56.4 | 60.6 | -4.2 | -7.0 | 0.07774 |
| Age | 35.8 | 35.3 | 0.5 | 1.4 | 0.02817 |
| **Employment** | | | | | |
| Total number of quarters employed | 7.3 | 7.5 | -0.2 | -3.1 | -0.06922 |
| Number of quarters employed in year prior to exit | 1.7 | 1.7 | 0.0 | -2.7 | -0.01286 |
| Number of quarters employed in year after exit | 2.0 | 2.0 | 0.0 | -0.7 | 0.04943 |
| Earnings in year before exit | 1369 | 1317 | 52 | 4.0 | 0.06914 |
| Earnings in year after exit | 2011 | 2013 | -2 | -0.1 | -0.02568 |
| **Welfare use Year Prior and Year Post Exit** | | | | | |
| Number of pre-exit months of Food Stamps receive | 10.1 | 10.3 | -0.2 | -2.0 | -0.01541 |
| Number of post-exit months Food Stamps received | 4.7 | 4.9 | -0.2 | -4.0 | -0.00757 |
| Number of pre-exit months Medicaid recieved | 11.8 | 11.8 | 0.0 | 0.1 | 0.03787 |
| Number of post-exit months of Medicaid received | 11.3 | 11.4 | -0.1 | -0.5 | -0.01113 |
| Number of pre-exit months AFDC recieved | 10.3 | 10.6 | -0.3 | -2.5 * | -0.05735 |
| Number of post-exit months AFDC received | 1.8 | 1.9 | 0.0 | -2.1 | 0.00765 |
| Sample Size | 321 | 1,087 | | | |

SOURCE: Calculations from California's MEDS Files and Employment Development Department Unemployed Insurance records. County Food Stamp payment data used to calculate Food Stamp receipt.

Notes: The first set of stars indicates significance levels in a t test of differences in means across groups . The second set of stars indicates the significance of coeffecients of a regression of response status on the tabled variables.
Statistical significance levels are indicated as ***=1 percent; **=5 percent; and *=10 percent.
The F statistic on the regression was .89, P= 0.5729.

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**Table A.2**

**Background Characteristics of Assisted Housing Survey Sample, by Response Status**

**Quarter 3 1998 CalWORKs Leavers, Los Angeles Count**

| Characteristics | Respondent Sample | Non-Respondent Sample | Difference | Percent Difference | | Regression Coeffecient | |
|---|---|---|---|---|---|---|---|
| White (%) | 10.2 | 15.2 | -5.1 | -33.2 | | -0.1617 | |
| Hispanic (%) | 34.3 | 21.0 | 13.3 | 63.5 | ** | -0.0450 | |
| Black (%) | 53.2 | 62.9 | -9.6 | -15.3 | | -0.1727 | |
| Age | 36.2 | 34.9 | 1.3 | 3.7 | | 0.0476 | |
| **Employment** | | | | | | | |
| Total number of quarters employed | 7.5 | 6.7 | 0.8 | 11.7 | | 0.0875 | |
| Number of quarters employed in year prior to exit | 1.7 | 1.5 | 0.2 | 11.7 | | 0.1061 | |
| Number of quarters employed in year after exit | 2.1 | 1.9 | 0.2 | 10.0 | | 0.0135 | |
| Earnings in year before exit | 1318 | 1474 | -156.0 | -10.6 | | -0.1697 | * |
| Earnings in year after exit | 2028 | 1977 | 50.3 | 2.5 | | 0.0036 | |
| **Welfare use Year Prior and Year Post Exit** | | | | | | | |
| Number of pre-exit months of Food Stamps received | 9.9 | 10.4 | -0.5 | -4.4 | | 0.0014 | |
| Number of post-exit months Food Stamps received | 4.4 | 5.2 | -0.7 | -14.0 | | -0.1062 | |
| Number of pre-exit months Medicaid recieved | 11.7 | 11.9 | -0.3 | -2.2 | ** | -0.1040 | |
| Number of post-exit months of Medicaid received | 11.3 | 11.5 | -0.2 | -1.7 | | -0.0147 | |
| Number of pre-exit months AFDC recieved | 10.2 | 10.7 | -0.5 | -4.7 | | -0.0611 | |
| Number of post-exit months AFDC received | 1.8 | 1.9 | 0.0 | -2.3 | | 0.0854 | |
| Sample Size | 216 | 105 | | | | | |

SOURCE: Calculations from California's MEDS Files and Employment Development Department Unemployed Insurance records. County Food Stamp payment data used to calculate Food Stamp receipt.

Notes: The first set of stars indicates significance levels in a t test of differences in means across groups.
The second set of stars indicates the significance of coeffecients of a regression of response status on the tabled variables.
Statistical significance levels are indicated as ***=1 percent; **=5 percent; and *=10 percent.
The F statistic on the regression was 1.41, p=.1397

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